

## **Wilson Reacts to GM's Bankruptcy Announcement and the State of the Auto Dealers**

WASHINGTON, D.C. – Congressman Charlie Wilson (OH-6) released the following statement today after GM's bankruptcy announcement.

*"This is a tough deal for GM, but I believe it's a fair one. President Obama has consistently stated that he would not put any more tax dollars at risk if it meant maintaining the kinds of bad decisions that have forced GM to seek government help. But, our President also knows that if GM and our auto industry rebuild themselves for the 21st century, it will be good for American workers, for American manufacturing, and for the American economy. We're already seeing positive signs with Chrysler set to emerge from bankruptcy in just a few days. And clearly the Lordstown, Ohio plant, with the new Chevy Cruze, represents a vital part of that new future for GM and I'm grateful for that.*

*With that said, a leaner GM and Chrysler have meant some painful announcements about local dealerships. I'm deeply concerned about the potential loss of local auto dealership jobs. Recently, I joined 67 other Members of Congress to send a letter to the Treasury's Auto Task Force to request that the Task Force encourage a more flexible and transparent process that would allow for market forces to consolidate dealerships."*

The text of the letter follows:

May 15, 2009

The Honorable Steven Rattner  
Counselor to the Secretary of the Treasury  
United States Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Mr. Rattner:

We are writing to express our serious concerns regarding the demands by the Presidential Task Force on the Auto Industry for the rapid and potentially disorderly elimination of thousands of Chrysler and General Motors dealerships. This action, if implemented, could put approximately 150,000 people out of work. Since these dealer reductions and its ripple effects would have a serious and adverse impact on the United States, we would like to ask that you revisit the forced closure of thousands of dealerships.

To justify these job losses, the Task Force is apparently relying on a misperception that new car dealers create a cost burden to auto manufacturers. This is not true, as on average,

about 90 percent of an automaker's revenue comes from dealers purchasing the automakers' vehicles. Far from saving money, a rapid reduction in dealerships would further reduce GM's and Chrysler's revenue and market share.

Automobile dealers are one of the largest private sector employers in the United States, providing tens of thousands of local jobs and contributing millions of dollars in tax revenues to states. Auto dealers are anchors in communities throughout the country and many times ownership is passed down from generation to generation. In addition many auto dealerships are minority owned and have traditionally provided strong local community support. Each dealership creates an average of 52 neighborhood jobs and these positions typically pay twice the national average as other retail-sector jobs. Dealers have invested about \$233 billion to create an auto sales network that provides a vast distribution and service channel for consumers. In fact, automakers created the franchise dealer network specifically to lower their costs, as they outsource virtually 100 percent of the cost associated with selling and servicing cars.

Last year, over a thousand auto dealers closed their doors for good. Further thinning of the dealer ranks through normal market, dealer-driven consolidation, and other forces is inevitable. The action being proposed has not taken into effect the impact on communities and workers, and without any evidence that massive and immediate dealer reductions are necessary to restore the financial health of GM and Chrysler.

We appreciate the enormity of the mission your Task Force has undertaken to help the auto industry. However, we are concerned the reduction of dealerships, at a time when the national unemployment rate is rising, is unconscionable for the government. We respectfully request that the Auto Task Force provide more transparency and justification on forced dealership closures, so you can revisit this decision and consider the damaging effects on local communities.